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# Draft country programme document for Uzbekistan (2005-2009)

## Contents


| | | Paragraphs | Page |
|---|---|---|---|
| | Introduction | 1 | 2 |
| I. | Situation analysis | 2-9 | 2 |
| II. | Past cooperation and lessons learned | 10-18 | 3 |
| III. | Proposed programme | 19-30 | 4 |
| IV. | Programme management, monitoring and evaluation | 31-38 | 6 |
| Annex | | | |
| | Results and resources framework for Uzbekistan (2005-2009) | | 7 |


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## Introduction

1. The present draft country programme document for Uzbekistan for 2005-2009 is the result of a process that began with the preparation of the Common Country Assessment (CCA) in 2003 prepared jointly by the Government and the Country Office. It forms an integral part of the United Nations Development Assistance Framework (UNDAF). The country programme has been prepared in close consultation with all partners of UNDP, including government ministries, United Nations organizations, civil society, and bilateral and multilateral development partners. A forward-looking programme review, conducted in November 2003, provided significant input towards identifying the focus areas of the country programme.

## I. Situation analysis

2. Since the independence of Uzbekistan in 1991, the Government has followed a path of gradual economic transition, and has been successful in controlling the budget deficit, managing inflation and producing economic growth. Although government strategies have in principle met some of the challenges posed by the transition, however, they have done so mainly at the expense of the sustainability of economic development and agriculture, and the small and medium-size enterprise (SME) sectors. Recent years have seen a decline in the human capital stock, an increase in unemployment, decreased access to health and education services, continued degradation of the environment, and a weak system of governance. These factors constitute a threat to the relatively high level of human development achieved during the Soviet period.

3. According to the *World Bank Living Standards Assessment* (May 2003), 27 per cent of the population lives below the poverty line, and approximately one third of all poor households can be classified as extremely poor. With a human development index (HDI) of 0.729 in 2001, Uzbekistan ranks 101 out of 175 countries, according to the *Human Development Report 2003*. The country's HDI scores and overall rating have remained stable over the years since independence. Disparities between regions and rural-urban areas have become more apparent, with the strongest indicator of vulnerability to poverty being the region of residence. Sixty-three per cent of the population of Uzbekistan lives in rural areas, where approximately 35 per cent are likely to be poor.

4. Unemployment is regarded as being higher than the officially recorded rate of 0.4 to 0.5 per cent, coexisting with underemployment and forms of hidden employment. Underemployment, low wages and wage arrears are critical problems, and have in the past been unaccounted for in available statistics. Women account for 63 per cent of the registered unemployed, and poor women have lower participation rates in the labour market – 25 per cent compared to 8 per cent among poor males – indicating that women are more vulnerable to unemployment and poverty.

5. Supported by the Asian Development Bank (ADB), the Government has made a commitment to preparing a comprehensive mid-term strategy for improving living standards, which is considered a precursor for the poverty reduction strategy paper (PRSP). The Government is currently working on nationalizing the Millennium Development Goals (MDGs) for Uzbekistan, aiming at integrating MDGs into the mid-term strategy for improving living standards.

6. The Government remains the major economic actor. Its import substitution strategy has been successful in achieving energy and food self-sufficiency; however, it has failed to generate sufficient private and foreign investment for sustainable and broad-based growth. The introduction of current account convertibility in 2003 was a major milestone. It was followed by a series of resolutions outlining the commitment of the Government to promoting equitable growth, and accelerating reform in key areas such as public administration, privatization and private sector development, the agricultural sector, trade and financial sector liberalization.

7. The Government continues to be dominant in political life, taking gradual steps towards the development of democratic institutions and civil society. Important steps were recently taken with the transfer of more executive powers from the President to the Parliament and the Cabinet of Ministers, and the launch of structural reforms in the Parliament. Public administration reforms and fiscal decentralization have also recently been launched. Civil society lags behind the standards of countries at similar stages of economic development. Limited awareness within government of the role of civil society organizations (CSOs), ineffective legal frameworks and limited capacities of

CSOs have contributed to their marginal role in economic and social life.

8. Uzbekistan has ratified many international human rights conventions, and developed laws and institutional structures to protect and promote human rights. Although these initiatives are encouraging, human rights violations continue to be reported. Following the visit of the United Nations Special Rapporteur on Torture, the Government initiated preparation of a national action plan to combat torture in collaboration with the international community. While censorship of the mass media was abolished in 2002, more efforts are needed to implement the right to free speech.

9. Key environmental challenges facing Uzbekistan are: (a) degradation of water resources and related salinization of water and arable lands; (b) desertification; and (c) loss of ecosystem services and increased vulnerability to natural and man-made disasters. The water problem is the most complex issue, having a large negative impact on environment and socioeconomic development. The impact of the Aral Sea disaster continues to be one of the major development challenges. Governance is a key issue within the context of environmental management. Though Uzbekistan has signed a number of international conventions and has shown commitment by meeting most of the initial obligations, few of the policies and plans have been successfully implemented in practice. Real reform within the agricultural sector – which remains the main cause of environmental problems – has not progressed sufficiently for improvements to occur.

## II. Past cooperation and lessons learned

10. The overall objective of the second country cooperation framework (CCF) 2000-2004 was to support the country's reform process through socioeconomic empowerment and increased public participation for good governance. Under this objective, UNDP assistance was focused in two thematic areas: sustainable income generation; and human resources development for change. Human rights and gender concerns were addressed as cross-cutting themes. In addition, UNDP provided development services to the implementation of a World Bank water, sanitation and health project in the amount of $63 million. The main programme tools included policy advice and advocacy, and institutional and capacity-building.

11. In the area of sustainable income generation, UNDP continued to support three non-governmental organizations (NGOs) in the Republic of Karakalpakstan – the biggest region of the country extensively affected as a result of the Aral Sea disaster – and Kashkadarya, which provide micro-finance services with special attention to women. The support made a significant impact on improving the living standards of clients and their families in the two regions. As a result and thanks to UNDP and other donor efforts, the first resolution of the Cabinet of Ministers on micro-credit activities by non-banking institutions was issued in 2002. At the request of the Government, UNDP support to the existing network of 23 business incubators was expanded to include 13 new business incubators in rural areas, resulting in the creation of more than 3 000 new jobs. The first 23 business incubators now operate as legal entities without UNDP support and currently host 437 tenants.

12. UNDP has also played a leading role in supporting government efforts to promote information and communication technologies (ICT), expanding Internet access to higher education institutions, the Academy of Sciences and NGOs and working with more than 150 local networks. The first national e-readiness assessment was undertaken, prompting a drastic revision of the national legislative and institutional framework, and resulting in an increase in the number of ICT service providers. UNDP supported the drafting of three new laws on e-signature, e-commerce and e-document flow, which were adopted by the Parliament in 2003.

13. In the area of environment, UNDP, with the Global Environment Facility (GEF), was particularly active in supporting implementation of the national biodiversity conservation strategy and action plan, by launching new initiatives demonstrating integrated approaches in biodiversity. Capacity 21 supported the development of a national Agenda 21, and two local Agenda 21s in the Republic of Karakalpakstan – the preparation of which gained wide participation from among local communities and NGOs. These demonstration projects were instrumental in making the concept of sustainable development operational. As a result of the implementation of a pilot project on solar energy usage for electricity production in the Republic of

Karakalpakstan, the Government requested UNDP support to elaborate a national strategy for development of the renewable energy sector.

14. In the area of governance and participation, national policy advisory capacities in economic reform were further strengthened through continued support to the country's first independent think-tank, the Centre for Economic Research. Support was also provided to strengthen aid management capacities through cooperation with the Foreign Investment Agency and launching of a development assistance database.

15. In supporting the preparation of the national action plan to combat torture, UNDP promoted the participation of civil society, and assumed a coordination role, on behalf of the international community in Uzbekistan, in support of efforts aimed at implementing the recommendations of the United Nations Special Rapporteur on Torture. The first NGO-executed project was successfully implemented, resulting in improved NGO capacities to provide legal aid to vulnerable groups.

16. The major lessons learned during the CCF period are: (a) some projects were supply- rather than demand-driven, resulting in weak government ownership and commitment; (b) local authorities and communities proved to be reliable and effective partners with whom expanded cooperation should be explored; and (c) while there was synergy between policy advice and pilot demonstration activities, it was difficult to translate local success stories into national policies.

17. In an environment with a limited donor presence, UNDP pursued a dynamic and opportunity-driven approach that was successful in building different types of partnerships for advocacy and funding. Advocacy partnerships were particularly successful in the field of human rights, and instrumental for mobilizing resources. Partnerships were established with 20 different donors, including new donors such as the European Commission; the Governments of the Netherlands, Denmark and Germany; and the Development Gateway Initiative. United Nations system cooperation was strengthened through the launch of the joint Termez-Hayraton cross-border initiative, the preparation of the CCA and UNDAF, the launch of the MDG process, and the activities of the HIV/AIDS theme group.

18. During the CCF period, the country office went through a re-profiling exercise in 2002, resulting in changes in the office structure and management practices, which helped to enhance internal capacities for policy advocacy and to increase the efficiency, quality and scope of services provided to partners and clients.

## III. Proposed programme

19. During the programme period, 2005-2009, UNDP will play a key role in contributing to three UNDAF outcomes and advocating for the MDGs.

20. The country programme complements the World Bank Country Assistance Strategy, the ADB Country Strategy and Programme, the United Nations Children's Fund (UNICEF) and UNFPA country programmes, as well as the activities of United Nations organizations within the framework of the UNDAF. It will support the implementation of the comprehensive mid-term strategy for improving living standards in areas where UNDP has comparative advantages, including policy advice and cooperation with civil society. Particular attention will also be paid to building national and local capacities for monitoring the MDGs.

21. UNDP assistance will focus on two overall, inter-linked objectives: supporting the Government in advancing economic and democratic reform; and strengthening and fostering the participation of civil society in development processes at national and local levels. The country programme will focus on three thematic areas: economic governance and poverty reduction; environmental governance; and democratic governance. Special attention will be paid to mainstreaming ICT and gender, and applying human-rights-based and participatory approaches throughout the programme.

*Economic governance and poverty reduction*

22. Building on lessons learned during the previous country programme, the present programme will focus on: providing policy advice and building national capacities in key economic reform areas, and building

sustainable institutions to conceive and implement employment and poverty reduction initiatives.

23. These objectives will be achieved by advancing the UNDP study on linking macro-economic policy with poverty reduction, and by providing the Ministry of Economy with policy support in key areas related to agricultural reform and rural development, trade and private sector development. Special attention will be given to strengthening the capacity of the Government to elaborate and pursue cross-sectoral policy options. Support will also be provided at the regional level for the formulation of regional and local development strategies.

24. Targeted demonstration programmes for poverty reduction and employment generation that complement policy reform will be supported, focusing on strengthening institutional capacities among local authorities, CSOs and the private sector to provide services to the rural poor. Such services may include micro-finance, business advisory services and community development. These programmes will support locally generated initiatives, and mechanisms for experience exchange and networking. Programme steering committees will provide the framework for sharing of experiences and linking local initiatives to policy issues.

*Environmental governance*

25. The programme will continue supporting the Government in meeting international commitments in the field of environment and sustainable development and integrating them into national development policy and planning. In close cooperation with GEF, UNDP will focus particular attention on assisting the Government and local communities in preserving biodiversity, promoting sustainable land management, and introducing new technologies for the use of renewable energy. In particular, continued support will be provided to develop and expand the Uzbek protected area system further by building institutional capacities and developing mechanisms for resource generation for management of protected areas and rural community development.

26. An initiative aimed at stabilizing the sandbed of the Aral Sea and the Kyzylkum Desert will be piloted. Building on the successful experience of activities in promoting solar energy, support will be provided to the elaboration of a national strategy for the promotion of the renewable energy sector. Furthermore, UNDP will support the State Committee for Nature Protection in developing a national waste management strategy, building capacities for environmental monitoring and management, and raising public awareness on environmental issues.

*Democratic governance*

27. Strengthening partnerships and continuing support for the capacity development of the Government and civil society are integral to the promotion of more effective governance in Uzbekistan. The programme on democratic governance will contribute to the creation of an enabling environment for civil society to participate actively in the development process, the improvement of cooperation between civil society and Government in human rights protection, and the enhancement of national capacities to manage governance reform.

28. The programme will function as a catalyst through which strengthened relationships between Government and civil society as partners in development may be achieved. In particular, capacity building support will be provided to relevant government institutions and CSOs to forge partnerships and continue dialogue, especially in relation to reducing socioeconomic disparities and addressing pertinent issues of human rights, gender equality and sustainable development. This will include continued support and facilitation of collaborative networks, and support for pilot projects at the local level to promote more participatory and transparent processes of governance.

29. Human rights will be addressed by building the national capacity to integrate international human rights obligations into the national legal framework, raising awareness on international human rights principles, and enhancing the population's access to justice. In particular, efforts will focus on strengthening capacities to implement and monitor the national action plan to combat torture and the elaboration of other national strategies to promote and protect human rights. This will include improving cooperation between civil society and the Government in monitoring human rights initiatives.

30. The programme will also promote an accountable and transparent public sector by assisting e-governance initiatives, aid coordination, public administration reform and strengthening the capacity of the Chamber of Accounts. Continued support will also be provided to building capacities for modern border management and strengthening national drug information networks.

## IV. Programme management, monitoring and evaluation

*Execution and implementation*

31. National and direct execution will be the key modalities of programme execution. National execution will remain the preferred modality, while direct execution will be used for selected programme priorities. This will contribute to strengthening national capacities while allowing UNDP to provide advisory and operational support services based on established standards of accountability and transparency.

32. UNDP will apply a "business-centre" approach, increasing efficiency in programme implementation support and freeing substantive capacity for programme monitoring and policy advice. The capacity of programme staff will be further developed and aligned in accordance with UNDP practice areas. The corporate introduction of Enterprise Resource Planning (ERP) will deepen the effective use of ICT for operational and substantive purposes.

*Monitoring and evaluation*

33. Programme steering committees composed of relevant government agencies, civil society and donor representatives will provide strategic advice, ensure programme synergies and monitor progress towards the achievement of results.

34. Availability and reliability of data for planning and monitoring is limited as experienced during the CCA process. UNDP will support the enhancement of national capacities to collect and analyze data, and will work closely with implementing partners to improve their ability to measure progress towards targets and ensure that monitoring systems are in place and aligned with the results framework.

35. A mid-term country programme review will be undertaken. In addition, outcome evaluations and project/programme audits will take place according to standard UNDP procedures and requirements.

*Resource mobilization and partnership strategy*

36. UNDP programme resources will continue to be catalytic in addressing the country's development challenges by mobilizing regular resources and fostering advocacy and development partnerships in support of national priorities and the MDGs. Cost-sharing will be pursued with the Government, the European Commission and other interested multilateral and bilateral partners.

37. UNDP thematic trust funds will be tapped to pilot new approaches. The transition experiences of the Central and Eastern European and Asian countries will be sought through funding and partnerships.

38. Cooperation with other country offices in Central Asia within the framework of the organization's Central Asia strategy will be pursued. In particular, support will be provided to facilitate the country's participation in regional initiatives, such as the Silk Road Programme and the European Commission-funded programmes on border management and reduction of drug trafficking in Central Asia. Cooperation with the subregional resource facility in Bratislava will be further strengthened to enhance the quality of programme implementation and policy advice.

## Annex: Results and resources framework for Uzbekistan (2005-2009)*

| Programme component | Country programme outcomes, including outcome indicators, baselines and targets | Country programme outputs | Output indicators, baselines and targets | Role of partners | Indicative resources by goal *(thousands of United States dollars)* |
|---|---|---|---|---|---|
| **UNDAF outcome 1** | **Strengthened national and local level capacity to develop, implement and monitor strategies for improving living standards and reducing poverty** | | | | |
| Economic governance and poverty reduction (MYFF goal: Achieving the MDGs and reducing human poverty) | Sustainable human development policies to improve livelihoods and access to social services by the poor developed.<br>*Indicators:* National strategy for improving living standards launched with clear national and regional targets for poverty reduction and achievement of MDGs<br>*Baseline:* Government has created an inter-agency committee to coordinate the elaboration of a mid-term strategy for improving of living standards<br>*Target:* MDGs integrated into national strategy for improvement of living standards | Strengthened capacity of the government in cross-sectoral policy analysis and formulation<br><br>Strengthened capacity to collect, analyze and disseminate statistical data and reporting on MDG progress | *Indicators:* Policies in priority reform areas (agriculture, trade, private sector, public administration) incorporate poverty reduction targets<br>MDG monitoring system established<br>*Baseline:* Government acknowledges need for macro-economic/institutional reform to integrate poverty and employment. Limited statistical capacities for MDG reporting and weak poverty/MDG monitoring system.<br>*Targets:* National HDRs promoting MDG progress reports produced biannually and used by central/local authorities as policy tools. Regional development strategies in three selected regions launched. | Memoranda of Understanding (overall coordination, policy)<br>Line ministries, local authorities in Karakalpakstan, Kashakdarya and Ferghana, State Committee on Statistics, CSOs (including micro-finance institutions), private sector (beneficiaries), mass media (outreach), women's committee (policy and advocacy) European Commission (funding, advocacy), World Bank/Asian Development Bank (policy dialogue/advocacy, coordination), Center for Economic Research, academia (research, policy analysis) | **Regular**: 4 000<br>**Other**: 3 000 |
| Economic governance and poverty reduction (MYFF goal: Achieving the MDGs and reducing human poverty) | Poor and vulnerable people's access to quality community-based social services improved and new sources of income created.<br>*Indicators:* Increase in number of jobs in Ferghana Valley, Karakalpakstan, Kashkadarya<br>*Baseline:* Growing disparities in access to basic services and livelihood (70 per cent of poor live in rural areas)<br>*Target:* Reduced poverty level and income disparities at national and sub-national levels | Regional/local institutions are strengthened to conceive and implement employment generation and poverty reduction initiatives | *Indicators:* New local initiatives launched aimed at generating employment in rural areas, including micro-finance, micro-leasing, SME developmen.t<br>*Baseline:* Limited local capacities to elaborate/implement demand driven initiatives to address local development<br>*Target:* At least three of the piloted schemes brought to the national level for replication | Local authorities in Karakalpakstan, Kashakdarya and Ferghana (coordination, capacity-building), CSOs (awareness, capacity-building, community mobilization), European Commission (funding, advocacy), United States Agency for International Development (USAID), ADB, Open Society Institute (coordination, policy) | **Regular**: 3 087<br>**Other**: 6 000 |
| **UNDAF outcome 4** | **By 2009, national laws are harmonized with selected United Nations legal instruments, and the implemenatation and monitoring of the latter are improved** | | | | |
| Democratic governance (MYFF goal: Fostering democratic governance) | Enhanced legal framework, monitoring and support mechanisms are in place for the implementation of the United Nations human rights instruments<br>*Indicators:* National strategies for the promotion and protection of human rights adopted and implemented | Increased awareness among the population on human rights standards/principles<br><br>Increased capacity | *Indicators:* Availability of human rights-related information to the public. Increase in legal services provided by CSOs to the most vulnerable<br>*Baseline:* Lack of legal literacy and public awareness on human rights. | Ministry of Interior, Ministry of Justice, Ministry of Foreign Affairs, National Human Rights Centre, Supreme Court, Procurator's Office, Ombudsman, Tashkent State Law Institute, local government authorities, Women's Committee (to take part in legislative drafting processes, capacity building, | **Regular**: 2 500<br>**Other**: 2 000 |

* The UNDAF results matrix is accessible at either the Executive Board web site (www.undp.org/execbrd/index.htm) or the UNDG web site (www.undg.org).

| | | | | | |
|---|---|---|---|---|---|
| | *Baseline:* National action plan to combat torture is being finalized. National action plan on implementing the recommendations of the United Nations treaty bodies being prepared<br>*Target:* Uzbekistan meets its international obligations by timely implementing the recommendations of the relevant United Nations mechanisms/reporting on implementation. | among relevant government agencies/institutions and civil society to implement and monitor human rights initiatives | *Targets:* Government and civil society human rights and legal literacy educational programme developed and implemented<br>Civil society representatives formally consulted during preparation and monitoring of national strategies aimed at the promotion and protection of human rights. | implementation and monitoring). Organisation for Security and Co-operation in Europe (advocacy, implementation and monitoring), diplomatic missions (advocacy, funding), American Bar Association/Central European and Eurasian Law Initiative (ABA/CEELI) (advocacy, implementation), Freedom House (civil society capacity building/ implementation/monitoring), Legal Aid Society (civil society capacity building/implementation). | |
| Environment (MYFF goal: Energy and environment for sustainable development) | Obligations under international environmental conventions and agreements fulfilled through improved effectiveness of environment management and development of clean energy sources<br>*Indicators:* Improved capacity in environmental management through reorganisation of environmental governance structures. National renewable energy strategy and national waste management strategy adopted and implementation started<br>*Baseline:* National policy/strategic plans in place, but poorly implemented (national biodiversity action plan, national environmental action plan, national action plan to combat desertification)<br>*Target:* Uzbekistan meets obligations under United Nations Framework Convention on Climate Change (UNFCCC), United Nations Convention on Bio-Diversity (UNCBD) and United Nations Convention to Combat Desertification (UNCCD) and timely reports on implementation. | Improved institutional capacities of national/local authorities in environment management and clean energy development that respond to the needs of the poor<br><br>Improved national capacity to monitor state of environment and trends and to assess policy performance in promoting environmental sustainability | *Indicators:* Coordinated cross-sectoral implementation of national strategies and action plans<br>Policy for waste management and renewable energy in place<br>Availability of environmental data<br>*Baseline:* National capacity self-assessment for environmental management (GEF) is being implemented. No systematic policy for waste management or renewable energy. National state of environment report issued in non-systematic manner<br>*Target:* Action plan prepared for changes/reorganisation of the state system to more effectively implement cross-sector components of environment management.<br>Draft waste management and renewable energy strategy prepared.<br>Environmental Information Management System established | State Committee for Nature Protection (overall co-ordination)<br>Ministry of Economy (coordination of renewable energy activities)<br>Government of Autonomous Republic of Karakalpakstan (piloting environmental projects), Hydrometeorology Administration (climate change) Forestry Main Board under the Ministry of Agriculture and Water Management (sand stabilisation), State Bio-Control Department (establishment of newly protected areas and resource management approaches), ADB, USAID, GEF (advocacy, coordination, funding) | **Regular**: 3 300<br>**Other**: 6 000 |
| **UNDAF outcome 5** | **Government and civil society capacity and partnership strengthened for more effective governance** | | | | |
| Democratic governance (MYFF goal: Fostering democratic governance) | Enabling environment for civil society to participate actively in development processes.<br>*Indicators:* Existence of mechanisms for consultations between government and CSOs on reform issues and programmes<br>*Baseline:* Weak mechanisms for dialogue and consultations with civil society during policy making process<br>*Target:* CSO consultation mechanisms launched | Awareness raised and capacity strengthened of Government and CSOs on participatory/inclusive policy process and the role of civil society through training initiatives for all stakeholders in the field of human rights, environment and poverty reduction. | *Indicators:* More government consultations with CSOs on human rights, environment, poverty reduction<br>*Baseline:* Weak capacity of CSOs to engage in professional dialogue with Government. Limited government initiative to involve civil society into policy making and monitoring process<br>*Target:* Civil society consulted formally on preparation of national strategies to improve living standards, protect human rights, national waste management/renewable energy strategy | Environment, human rights, social CSOs/NGOs (awareness, capacity-building, partnerships), regional/local authorities (awareness, local partnerships), National Centre for Human Rights, Ministry of Economy, State Committee for Nature Protection, Women's Committee (advocacy, consultation, joint initiatives)<br>USAID, OSI, OSCE, European Commission, ABA/CEELI, Freedom House (advocacy, funding, monitoring and reporting) | **Regular:** 2 000<br>**Other:** 1 000<br><br>**Total: 32 887**<br>*Regular*: 14 887<br>*Other*: 18 000 |